

Payments on Foreign Indebtedness to the United States Government

PAYMENTS by foreign countries on their indebtedness to the United States Government are scheduled to amount to more than one-half billion dollars in 1952. Payments actually made in 1951 approximated this same amount.

Britain and France paid in 1951

The year 1951 marked the beginning of scheduled payments on the \$3,750 million British loan and on the war-account settlement with the United Kingdom, both concluded under the Anglo-American Financial Agreement of December 6, 1945. The first payment of approximately \$138½ million, consisting of \$51½ million in principal and \$87 million in interest, was made on the due date, December 31, 1951.

The first payment of principal on the war-account settlement of May 28, 1946, with France was made on the scheduled date, July 1, 1951. This settlement, and the settlement with the United Kingdom, covered lend-lease, surplus property, and other war accounts. France has been paying

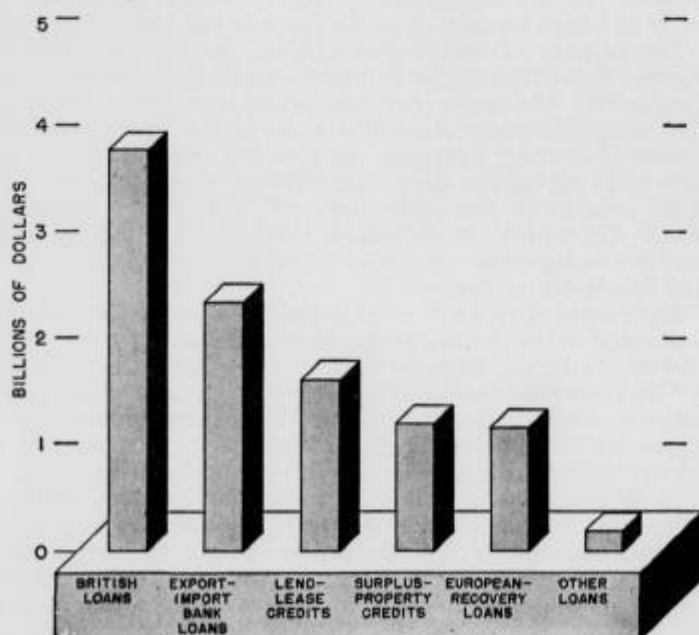
interest on this account since 1947, whereas the United Kingdom arrangement provided for the initial payment after a period of 6 years.

Beginning with 1951, the payments under the Anglo-American Financial Agreement and under the French war-account settlement have similar types of repayment schedules. The total payment under each agreement remains constant—\$138½ million for the British through the year 2000 and \$30½ million for the French through the year 1980—with an increasing portion each year applicable to amortization of principal and a decreasing portion to interest. In this respect the terms differ from those on all other credits extended by the United States Government, either to these countries or to any other country. On all other credits for which debt-service projections have been made, the payments of principal, though in many cases not constant, are a fixed amount each year and interest payments are to be made on the basis of a stated rate on the unpaid balance. In a few instances interest is not stipulated or implied.

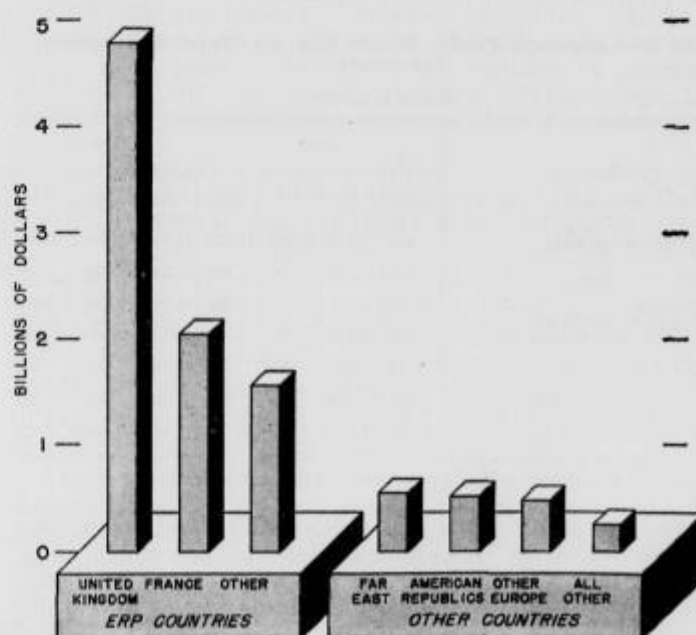
NOTE.—MR. PLYBON IS A MEMBER OF THE CLEARING OFFICE FOR FOREIGN TRANSACTIONS, OFFICE OF BUSINESS ECONOMICS.

OUTSTANDING LOANS AND CREDITS

at the close of fiscal year 1951
were the result of various foreign
aid programs



and were concentrated in the
European Recovery Program
countries.



In September 1951 the United Kingdom paid in full, more than 4 years ahead of maturity, the balance on the \$390-million collateral loan. This loan had been made in 1941 by the Reconstruction Finance Corporation to enable the United Kingdom to retain its investments in the United States. This repayment released to the United Kingdom the dollar earnings on approximately \$1 billion of collateral, a large part of which consisted of securities of leading United States business concerns.

Postwar payments have been large

Foreign countries have paid more than \$2.3 billion in the postwar period on credits extended by the United States Government since 1934. Amortization has amounted to over \$1.7 billion and interest payments to \$0.6 billion. Close to \$0.3 billion of this total represents payments on the relatively short-term credits extended by the Agriculture Department, the Army Department, and the Reconstruction Finance Corporation to finance shipments of raw cotton from the United States to the occupied areas of Germany and Japan. Large payments to the Agriculture Department of more than \$110 million on this program in 1948, plus the unscheduled repayment in full by Canada of the \$140-million loan drawn down 6 months earlier, raised actual payments in 1948 to \$559 million.

Indebtedness remains at \$10 billion

In spite of the fairly sizable repayments in the past 6½ years, outstanding principal indebtedness of foreign countries rose from \$0.8 billion at June 30, 1945, to \$10.1 billion at June 30, 1951. This indebtedness represents only the obligations which had been formalized either by signed agreements or by promissory notes. Unsettled obligations—principally of the U. S. S. R., China, Germany, and Japan—are sizable additional amounts. The outstanding indebtedness at December 31, 1951, was approximately the same as at June 30, 1951. Loan disbursements and repayments of principal in the last 6 months of 1951 are estimated to have about offset each other—approximately \$0.2 billion each.

The larger part of the increase in principal indebtedness of foreign countries to the United States Government during the postwar period occurred during the first 3½ years through 1948. In 1949 new utilizations of credits exceeded principal repayments by only \$450 million, whereas in 1948 the excess had been \$1 billion. By 1950 the net credit utilization had dropped to \$130 million. It is estimated that the increase in outstanding loans in 1951 will not be much more than the approximate \$100-million increase which occurred between January and June.

Beginning in 1952, unless new credit programs are initiated, scheduled repayments of principal are estimated to about offset new credit utilization. Thus, the formalized indebtedness of foreign countries to the United States Government will probably not increase much from this point on, unless the obligations of Germany, Japan, the U. S. S. R., and China are settled. Except for the continuing loan activity of the Export-Import Bank, which was given \$1 billion additional lending authority on October 3, 1951, the only sizable potential new credits are the more than \$100 million in economic-assistance credits provided for in the Mutual Security Appropriation Act of 1952.

As shown in the chart on page 18, the European-recovery program participating countries accounted for almost 83 percent of the total principal indebtedness at June 30, 1951. The United Kingdom was indebted for almost one-half of the total outstanding foreign credits of the United States Government, and France for one-fifth.

More than one-half billion dollars of the total indebtedness shown in the table cannot be included in the debt-service projections, even though the amount of the obligation has been determined: either due dates have not been set or repayment terms are not definite enough to make a projection practical. Some of these agreements provide only for payment when requested by the United States Government, either in foreign currency or real property. Others provide for payments from proceeds of certain receipts. Lend-lease silver is to be returned when determined by the President in accordance with specifications in the respective agreements.

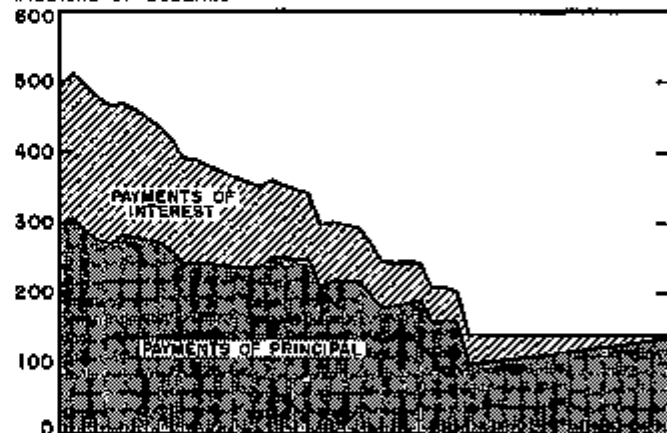
Debt-service payments decline

The following chart shows a fairly constant decline after 1952 in total debt service on present formalized obligations. From total payments of \$509 million in 1952, scheduled payments are halved by 1980. From 1984 through the year 2000, the sole remaining payments are those of \$138½ million annually by the United Kingdom.

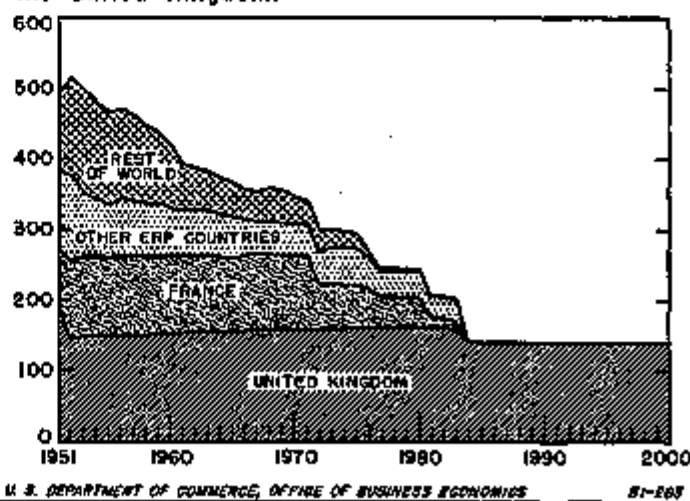
SCHEDULED PRINCIPAL AND INTEREST PAYMENTS

on foreign credits steadily decline over the next 30 years.....

MILLIONS OF DOLLARS



and continue to the next century for the United Kingdom.



Payments scheduled amount to almost \$9.6 billion in amortization and more than \$4.3 billion in interest, bringing to \$13.9 billion the total scheduled payment by foreign coun-

tries on their indebtedness to the United States Government in the next 49 years. European-recovery participating countries are scheduled to make 87 percent of the total payments, 54 percent by the United Kingdom, 20 percent by France,

and approximately 14 percent by the other ERP countries. Of the remainder, the other European countries are scheduled for 5 percent, the American Republics for 4 percent, and countries in the Far East for 2 percent.

Table 1.—Summary of Indebtedness of Foreign Countries to the United States Government at June 30, 1961, and Projections of Contractual Debt Service (Principal and Interest) for Calendar Years 1961-66¹

(Millions of dollars)

Program and country	Indebtedness June 30, 1961	Unre- covered	Projection of contractual debt service											
			1961 (last 6 months)		1962		1963		1964		1965		1966	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Total.....	10,117	541	219	955	305	294	280	230	278	203	268	134	279	189
British loan.....	3,750		44	75	45	74	45	72	47	72	48	71	49	70
European-recovery loans.....	1,132	25			(?)	14	(?)	25	(?)	25	(?)	38	13	39
Export-Import Bank loans (including agent banks).....	2,322		83	36	163	68	193	62	193	58	143	53	135	45
Loan-loss credits.....	1,578	316	28	34	25	28	25	25	28	24	31	24	31	23
Surplus-property credits.....	1,167	201	26	15	41	22	41	21	43	20	41	19	42	18
Other loans.....	172		24	1	39	2	40	1	5	1	6	1	6	1
European countries.....	5,749	213	167	144	213	177	181	154	194	130	192	175	263	170
Belgium-Luxembourg.....	171	1	5	1	11	4	8	4	6	4	6	4	6	3
Denmark.....	62		1	(?)	1	1	1	1	1	1	1	1	1	1
Finland.....	127	5	1	2	2	3	5	3	5	3	4	3	4	3
France.....	2,039	16	25	30	63	47	64	45	63	40	66	44	70	43
Germany.....	69	69												
Greece.....	93	1	1	2	5	3	5	3	5	2	6	2	5	2
Ireland.....	128					2		3		3		3		3
Italy.....	343	1	9	2	24	6	23	6	22	8	18	7	16	6
Netherlands.....	413	41	34	3	39	7	38	5	38	7	38	7	38	7
Norway.....	90	8	1	1	4	2	4	2	4	2	4	2	6	2
Poland.....	79		(?)	1	4	2	4	2	4	2	4	2	4	2
U. S. S. R.....	273		12			5		5	10		10		10	
United Kingdom.....	4,753	71	74	88	63	60	54	65	55	52	56	51	58	50
Yugoslavia.....	46	(?)	1		2	2		2	6		7		7	
Other European countries ¹	89	3	2	1	5	1	2	2	3	2	2	2	3	2
Far Eastern countries.....	336	272	12	9	38	5	43	5	11	4	11	4	11	4
China.....	161	50	7	7	5	2	5	2	4	2	4	2	4	2
India.....	171	172	2											
Indonesia.....	63		2	1	2	1	3	1	3	1	2	1	3	1
Philippines.....	97	2	(?)	1	29	2	30	1	4	1	4	1	4	(?)
Other Far Eastern countries ²	41	32	1	(?)	1	(?)	1	(?)	1	(?)	1	(?)	1	(?)
American Republics.....	494		29	36	41	16	39	15	41	19	47	19	45	19
Argentina.....	56		(?)	3	(?)	3	(?)	3	12	3	13	2	13	2
Brazil.....	193		5	2	10	4	8	3	8	3	7	3	7	2
Chile.....	54		3	3	7	3	8	2	7	2	7	2	7	2
Mexico.....	75		6	3	8	9	9	2	9	2	10	2	9	2
Other American Republics ³	109		7	3	9	4	10	3	9	3	10	3	9	2
Undistributed.....	36		8	(?)	7	(?)	7		6		1		1	
Other countries.....	282	88	19	4	15	6	18	6	16	6	17	5	18	4
Israel.....	65		3	1	3	2	4	2	6	2	5	2	6	1
Turkey.....	56	(?)	2	(?)	2	2	5	2	3	2	3	2	4	2
All other countries ⁴	118	86	7	2	6	2	5	2	5	2	6	2	6	2
United Nations.....	53		1		1		2		2		2		2	

Notes.—Detail does not always add to total because of rounding.

¹ European-recovery loans include loans repayable in deficiency materials. Export-Import Bank loans include advances through agent banks. Loan-loss credits include the obligations of foreign governments to return loan-loss silver and include also, in some instances, credits established in war-account settlements for civilian supplies, not claims, and other war accounts. Credits established in war-account settlements for surplus property, however, are included in surplus-property credits. Surplus-property credits are composed of all outstanding foreign credits established for sales of surplus by the former Office of the Foreign Liquidation Commissioner and by the former War Assets Administration, and mortgage secured credits of the Maritime Administration for foreign sales of merchant ships. Included also is the credit established by the Army Department for the sale of surplus to China. Other loans consist of Reconstruction Finance Corporation loans, the State Department loan to the

United Nations, the Philippines (funding by the Treasury Department, and a small balance on a loan of the Institute of Inter-American Affairs). World War I indebtedness is not included.

² Less than \$500,000.
³ Other European countries are Austria, Czechoslovakia, Hungary, Iceland, Portugal, and Sweden. Other Far Eastern countries are Burma, Japan, Korea, and Thailand. Other American Republics are Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Haiti, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. All other countries are Afghanistan, Australia, Canada, Egypt, Ethiopia, Iran, Lebanon, Liberia, New Zealand, Saudi Arabia, and Union of South Africa. In no case did the indebtedness of any one of these countries on June 30, 1961, exceed \$50 million.

Source: U. S. Department of Commerce, Office of Business Economics.

Additional Data Available

A special report on debt-service projections, including a detailed table for all countries and all years, has been separately printed and is available on request.